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SUBJECT: REGIONAL PRIORITIES FOR ENVIRONMENT PROJECTS THAT SUPPORT
CAFTA-DR IMPLEMENTATION

REF: STATE 37718

1) Summary: As requested in reftel, this cable contains Post priorities for CAFTA-DR regional environment activities for FY 2007. The proposals described here build upon priorities presented by Trade and Environment representatives the week of March 21 to 23 at the meeting convened by State/OES and State/WHA. In addition to the country delegations, representatives from USAID/Guatemala, USAID/Dominican Republic, USAID/Honduras, USAID/El Salvador, US Embassy/Costa Rica, US Embassy/El Salvador and USAID/Washington. The proposals presented here build upon work already started using FY2006 CAFTA funding and identify areas where additional support will be needed from specific US government agencies, who will be presenting their proposals under separate cover for funding to complement these activities. For regional CAFTA-DR environmental activities, Post is presenting three proposals:
- Institutional Strengthening for Effective Implementation and Enforcement of Environmental Laws and Multilateral Agreements: \$3.1 Million.
- Improved Private-Sector Environmental Performance and Access to Financing: \$1.85 Million.
- Improved Management of Regional Watersheds: \$ 1.6 Million.

End Summary.

Introduction

2) Nearly 18 months ago, Post began a consultative process to identify key labor and environment trade capacity needs in the region for FY 2006 and beyond. This process, consisting of consultations with Government colleagues, regional integration institutions, and the private sector, identified several priority needs. These needs mirror the priorities in the CAFTA-DR Environment Cooperation Agreement (ECA) and are presented in order of priority as identified by the countries.

3) With USG support, regional environmental integration and cooperation in Central America has been developing for more than 15 years. Regional integration is a means for a more rational use of natural resources and a better quality of life for Central Americans. Through a formal agreement with the Secretariat for Central America Integration (SICA), USAID's regional mission in El Salvador (E-CAM) manages a regional portfolio of trade, labor and environment activities. The Comision Centroamericana para Ambiente y Desarrollo (CCAD), an organization created under SICA, is mandated by the Central American governments to conduct regional environmental activities.

4) E-CAM has established a core management team of high-level professionals within CCAD, who will coordinate and implement the assistance outlined in these proposals. For FY 2006 funds, several Central American countries (Guatemala, Nicaragua and El Salvador) recognized the expertise within E-CAM and CCAD and requested that their bilateral activities be incorporated into the E-CAM portfolio. They may continue to do so in the future.

5) The proposals presented here represent a consensus view of the Central American governments of key regional projects necessary to help them meet the requirements of the CAFTA-DR environment provisions.

I. Institutional Strengthening for Effective Implementation and Enforcement of Environmental Laws and Multilateral Agreements

6) PURPOSE: This activity will strengthen the ability of El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua and the Dominican Republic to develop sound environmental regulations and policies and effectively enforce existing environmental legislation.

This also meets the number one priority identified by the parties in the ECA work plan and continued to be a stated priority at the March 2007 meeting with the CAFTA-DR focal points. It is a recognized priority in the CAFTA-DR agreement (chapter and verse), and is clearly a priority of Congress.

7) DESCRIPTION AND JUSTIFICATION: While the challenge of meeting the obligations of CAFTA-DR and other agreements falls primarily on the national governments of each country, a regional approach is essential to harmonize implementation across borders. Current environmental laws throughout the region need to be harmonized to reduce trade barriers brought about by differing standards and

systems. Environmental law enforcement within the CAFTA-DR countries is weak because existing institutions have limited human and financial resources and many lack the necessary authority to enforce laws. Existing legal frameworks often lack the implementing regulations and procedures, hindering implementation. USAID will work with EPA and relevant government ministries by using the CCAD regional environment platform. This approach will build continuity through changes in governments, build on positive experiences in countries to date, and offer economies of scale managing similar initiatives by the same team of experts in an efficient and cost-effective manner.

8) Compliance with Multilateral Environment Agreements (MEA's) is also low due to limited resources and lack of trained personnel. One of the major risks posed by the establishment of common borders under CAFTA-DR is the unregulated transport of endangered species and hazardous chemicals. This activity will ensure that countries have the tools and systems to meet their obligations under CITES, UNFCCC, and the Montreal Protocol. The US Government has encouraged the region to speak as one vote in MEA matters. Through CCAD, USAID will coordinate different donors and players working on these issues to ensure a more strategic response to problems at hand.

9) The ultimate goal of the program is that CAFTA-DR countries will have the tools necessary to promote environmental compliance and enforce environmental legislation.

10) EXPECTED RESULTS:

- At least 50 government officials/trainers trained in each country on how to use relevant environmental management principles and tools, including the use of regulatory and administrative incentives.

- An internal assessment and plan on how to more efficiently use budgetary resources for environmental management is completed by each government.

- Six environmental regulations or administrative procedures are developed each year of the activity.

- A regional system for certifying environmental auditors, quality labs and service providers is developed.

- National environmental officials in the CAFTA-DR countries have the capacity to review Environmental Impact Assessments (EIAs), design and implement new policies and procedures, and to clearly define relationships between various levels of government for analysis, involvement and follow up in the EIA process.

- Increased access to sound environmental data for decision-makers through Regional Visualization and Monitoring System (SERVIR) expansion.

- Increased air quality monitoring stations in each country. Air quality index approach for air quality forecasting applied regionally.

- Build national capacity to respond to citizen complaints.

- Intra-governmental mechanisms for effective enforcement of at least three key international environmental agreements are established and working.

- At least six customs experts will have developed the skills to provide training to fellow customs officers on MEA enforcement giving customs officials a better understanding of their role in enforcing environmental laws, including international agreements and domestic implementing legislation.

- CAFTA-DR countries will improve their performance in meeting CITES obligations through harmonized procedures and regulations. Police and customs officers will have basic awareness and knowledge of CITES. Scientific and Management Authorities will have sufficient capacity to document population status to meet CITES obligations and update regional lists, leading to better regulation of endangered flora and fauna.

- Improved management of trans-boundary movement of hazardous chemicals.

SPECIFIC ACTIVITIES:

Technical assistance to governments to develop harmonized environmental regulations and implement procedures and policies that provide clear guidance to business and level the playing field for trade.

11) Eliminate law enforcement gaps. (\$350,000) This activity will help Governments develop the needed regional framework environmental legislation to fill existing legal gaps. Work will focus on priority sectors as defined by the CAFTA-DR Trade Ministries. USAID/E-CAM, working through CCAD and EPA, will develop enforcement procedures such as investigating and gathering of evidence, building a case, to determining how to prosecute, and presenting that case and evidence effectively to a judicial body. Result: Six environmental regulations or administrative procedures are developed each year of the activity.

Technical Assistance to Environmental Ministries and enforcement agencies to Qprove implementation of environmental laws.

12) Enforcement Training and Improved Procedures. (\$650,000) This activity will institutionalize training programs to strengthen the capacity of authorities (judges, prosecutors, and inspectors) toQnsistently apply existing environmental protection procedures. USAID/E-CAM through CCAD, will strengthen the capacity of CAFTA-DR countries to identify and effectively prosecute environmental crimes. While EPA and CCAD have worked to build local capacity for enforcement training, there is a need to institutionalize this training through different venues, such as universities or ministry training centers. USAID/E-CAM will also work to promote clerkships with university environmental law programs, continue to develop and

improve judicial training material and educate the press on the workings of the judicial system in environmental matters.

13) Environmental Budgets. (\$240,000) USAID/E-CAM will work with SICA, SIECA and CCAD, to help CAFTA-DR countries harmonize regulations and procedures that allow ministries and municipalities to use licensing, concession, and other use fees for management of natural resources and funding of environmental law enforcement. We will also develop a regional strategy to create or use financial and economic incentives to contribute to environmental protection in productive sectors. Results: At least 50 government officials/trainers trained in each country on how to use relevant environmental management principles and tools, including the use of regulatory and administrative incentives. An internal assessment and plan on how to more efficiently use budgetary resources for environmental management is completed by each government.

Technical Assistance to promote the adoption of environmental responsibility, audits, and EMS programs (\$350,000)

14) Environmental Management Systems (EMS) was identified as a priority by all CAFTA-DR countries at the March 2007 meeting in El Salvador. USAID/E-CAM, working with CCAD and EPA, will assist key environment quality labs to attain international accreditation on EMS, as well as the certification and registration of environmental auditors and other environmental service providers, ensuring they are held to common standards throughout the region. CCAD, with technical assistance from EPA will train authorities in relevant environmental management principles and tools, including the use of regulatory and administrative incentives (such as public-private partnerships and flexible voluntary mechanisms). Result: A regional system for certifying environmental auditors, quality labs and service providers is developed.

Strengthening Environmental Impact Assessment Review (Permitting Decision-Making) (\$240,000)

15) The strengthening of the Environment Impact Assessment process was identified as a priority by all CAFTA-DR countries at the March 2007 meeting in El Salvador. It is anticipated that EPA will receive funds to carry out this activity and that some of those funds will need to be funneled to CCAD through the grant agreement E-CAM has with that entity. They will strengthen the EIA process in CAFTA-DR countries, particularly national review criteria, systems, procedures and monitoring process. Result: National and local environmental officials in the CAFTA-DR countries have the capacity to review EIA's, design and implement new policies and procedures, and to clearly define relationships between various levels of government for analysis, involvement and follow up in the EIA process.

Environmental Monitoring for Informed Decision-Making (\$350,000)

16) Access to sound environmental data is essential to support science-based decision-making, a key to ensuring objective rules, avoiding arbitrary decision-making, and enabling an informed public to participate meaningfully in democratic decision-making processes. Additional resources are needed to further expand the geographic coverage of the Regional Visualization and Monitoring System (SERVIR) and Mesoamerican Environmental Information System (SIAM) and integrate into both systems more disparate environmental information and data working in partnership with EPA, NASA and GEOSS, universities and national governments. It is anticipated that NASA will receive funds to carry out this activity and that some of those funds will need to be funneled to CCAD through the grant agreement E-CAM has with that entity. Result: Increased access to sound environmental data for decision-makers through SERVIR expansion.

Air Quality Management: Emissions Inventories (\$150,000)

17) EPA will continue to work with CCAD and CAFTA-DR countries to implement the regional policy and national strategies for air quality management. It is anticipated that EPA will receive funds to carry out this activity and that some of those funds will need to be funneled to CCAD through the grant agreement E-CAM has with that entity. Results: Increased air quality monitoring stations in each country. Air quality index approach for air quality forecasting applied regionally.

Technical Assistance to comply with CAFTA-DR environmental requirements including support for Public Complaints Units and the Civil Society Outreach Unit to promote awareness of environmental provisions of CAFTA-DR and the ECA. (\$400,000)

18) Strengthen Environmental Units. Building on procedures established by the ECA for the regional Environmental Claims Secretariat, CCAD will assist national claims units to develop

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consistent procedures to resolve environmental claims. Continue to support the implementation of the Environmental Chapter of the CAFTA-DR and the ECA and strengthen the national and regional offices involved in the application of CAFTA-DR, the Environmental Affairs Council and the ECA's Environmental Cooperation Commission. Result: Build national capacity to respond to citizen complaints.

19) Regional Environmental Information. CCAD will help strengthen mechanisms for public complaints and communications and increase public understanding of the CAFTA-DR and ECA environment provisions, specifically the procedures of the Environment Secretariat in SIECA. Support will include expanding e-government applications and access to environmental information. Result: Build national capacity to respond to citizen complaints.

20) Strengthening and Coordination between Ministries and Institutions. CCAD will continue to support the participation and coordination of high-ranked functionaries from the Environment and Economy/Commerce Ministries from CAFTA-DR on important trade and environment issues and in the compliance with the provisions of CAFTA-DR. USAID also proposes to expand inter-ministerial communications through the creation of a new SICA working group with representatives from the Fisheries and Environment Ministries.

Result: Build national capacity to respond to citizen complaints. Expand country compliance with Multilateral Environmental Agreements (MEA's) including CITES

21) Regional Mechanisms for Effective Enforcement of MEAs. (\$135,000). MEA implementation is hindered by missing procedures. A set of procedural road maps will be developed and tailored to meet each country's specific legislative conditions. USAID will help strengthen the registration and procedures for the sound management and trans-boundary movement of pesticides, hazardous materials, substances and wastes, including procedures for Prior Informed Consent. Regional norms will be developed in some specific instances (such as chemical importation and use), where they are lacking. Informational materials will be prepared regarding waste, toxic chemicals, endangered species and biodiversity, and ozone-depleting substances. Linkages at the national level between key enforcement stakeholders, customs officers, customs training institutes, national focal points for MEA's, judges, and prosecutors will be strengthened. Result: Intra-governmental mechanisms for effective enforcement of at least three key international environmental agreements are established and working.

22) CAFTA-DR countries will improve their performance in meeting CITES obligations through harmonized procedures and regulations. Result: Scientific and Management Authorities will have sufficient capacity to document population status to meet CITES obligations and

updated regional lists, allowing better regulation of endangered flora and fauna, will be available. The initiative will also improve management of trans-boundary movement of hazardous chemicals.

23) Build capacity for effective MEA enforcement. (\$235,000). Law enforcement officers (customs, police, judges) lack the tools and knowledge to effectively enforce existing legislation related to MEA's. An assessment will be conducted to determine which CITES species should be targeted for intervention, based on their importance to trade (this analysis has not been done yet). There are also multiple players providing MEA capacity building. CCAD will help coordinate regional capacity building through its various MEA working groups and regional forums to ensure that training is effective and not duplicative. Result: At least six customs experts will have developed the skills to provide training to fellow customs officers on MEA enforcement giving customs officials a better understanding of their role in enforcing environmental laws, including international agreements and domestic implementing legislation.

24) U.S. POLICY OBJECTIVES. As signatories to CAFTA-DR, participating countries are required to improve and effectively enforce their existing environmental laws. The ECA work plan identifies environmental law enforcement as a priority under section 1.1 "Strengthening Environmental Law Compliance and Enforcement Systems: Support the strengthening of national systems for effective enforcement of Parties' environmental legislation, including administrative and judicial procedures." It is a key USG policy goal that this commitment be met.

25) Furthermore, as signatories to CAFTA-DR, participating countries are required to implement and improve compliance with multilateral agreements to which they are all party. This project will address three activities identified in the ECA work plan as follows:

26) Activity 1.3.1. Strengthen capacity for national implementation of CITES, RAMSAR, the Montreal Protocol and other relevant MEA's to which we are all Party, including by disseminating procedures for their implementation and undertaking public awareness campaigns.

27) Activity 1.3.2. Provide training and capacity building to Scientific and Management Authorities, Customs authorities and national police to enhance implementation of CITES.

28) Activity 1.3.3. Develop programs and projects to provide economic instruments to protect wildlife at the regional and national levels.

29) Activity 1.3.4. Strengthen the enforcement of restrictions on trade in ozone depleting substances under the Montreal Protocol and the development of innovative mechanism for encouraging cross boundary engagement in reducing the use of such substances.

30) This project fits under Economic Growth Objective, Environment Program Area. It meets the requirements under the Natural Resources and Biodiversity and Clean Productive Environment Elements of the Joint State/USAID Framework. [1b1]

31) NEW/PREVIOUS WORK. USAID has built a strong foundation for policy work throughout the region, working in close collaboration with bilateral and regional organizations including CCAD, local and international NGO's, USG agencies (DOI, EPA, USDA, NOAA, DOC, NASA) and other organizations. Thanks to USAID's early work with EPA and CCAD, a framework document to develop effective environmental laws and regulations was developed and served as the base for creating most of the Environment Ministries in the region. Successes include the framework regulation for wastewater, a regional manual for environmental inspections, and the harmonized administrative procedures for sanctions for environmental crimes. Using FY 2006 funds CCAD has been working closely with EPA specialists to provide training on law enforcement in the Dominican Republic. Regional coordination meetings with judicial authorities, customs officials, and other key entities have addressed how regional training will be provided to customs officials and border authorities on CITES, as well as how bi-national guidelines will be applied. The countries have also met and begun to individually implement the regional policy for clean production developed last year and begun to develop model voluntary agreements in key sectors for the region. These trade capacity building activities will enable the countries to take advantage of new trade and investment opportunities and businesses to become more competitive, without loosing sight of existing environmental legislation.

32) USAID has built a strong foundation for policy work throughout

the region, working in close collaboration with the Central American Governments through CCAD. USAID has worked with CCAD and EPA to

promote knowledge of relevant MEA's and harmonization of regulations and procedures. In collaboration with EPA and NASA, USAID is helping countries meet the United National Framework Convention on Climate Change (UNFCCC) requirements to produce a report on their greenhouse gas emissions through the development of tools and improvements in data quality. Activities planned here complement the UNDP GEF activities on climate change, the World Bank efforts on payments for environmental services, and the Spanish Cooperation's biodiversity conservation work. Through CCAD, USAID is cooperating with GTZ's air quality project, JICA's solid waste management activities and IUCN's Environmental Impact project. The Danes just started a project to strengthen the capacity of SICA as a regional integration body.

33) The experience these actors have gained working in the region will allow us to quickly target assistance to fill legislative gaps and address enforcement priorities in each country.

34) ESTIMATED COST. \$3.1 Million. This funding is requested for regional activities only. Bilateral requests will come from bilateral missions and the U.S. Embassy in Costa Rica. Matching funds will be provided from national governments through CCAD. The amount includes 6% for program management.

35) LOCAL BUY IN. Local authorities identified "Strengthening each Party's environmental management systems, including strengthening institutional and legal frameworks" as the first priority in the Cooperative Work Program. The Cooperative Work Program was formulated through interagency coordination among the Ministries of Environment and Trade of each of the countries in the region and based upon joint and consensual decisions. On the ground activities will be developed regionally or nationally, depending on local capacity.

36) PUBLIC DIPLOMACY. This project would provide a venue to increase the visibility of USG efforts to conserve/maintain the environment in Central America and the Dominican Republic.

II. Improved Private-Sector Environmental Performance and Access to Financing

37) PURPOSE: This activity will improve the private sector's environmental performance and competitiveness by providing flexible incentives for them to adopt clean production technologies in their production processes. USAID will spearhead public-private partnerships that leverage private sector resources to achieve voluntary compliance with national environmental laws.

38) DESCRIPTION AND JUSTIFICATION: Contamination from industry poses a serious risk to the region's ability to comply with CAFTA-DR. The private sector plays an influential role in determining whether governments develop and implement legislation that addresses environmental hazards. The implementation of voluntary mechanisms to enhance environmental performance will bring together the private sector and Government as partners to reduce contamination. This program will create public private partnerships that will encourage voluntary compliance with environmental legislation. It will enlist the private sector in making investments that both improve environmental performance yet also have a direct impact on firm competitiveness by reducing costs.

39) EXPECTED RESULTS:

- Net reduction in energy consumption and expenditures.
- Net reduction in waste water generation from production processes and improved solid waste management through the more efficient use of inputs.
- Public employees and private sector businesses more knowledgeable about best practices that will improve environmental performance.
- Net savings in firm production costs due to more efficient processes.

Specific Activities:

Improved Private-Sector Environmental Performance

40) Develop public-private partnerships. (\$600,000) Regional public-private partnerships and alliances are being promoted at the national level with private sector companies and NGOs to facilitate

the transfer and adoption of cleaner production technologies. USAID will also work with governments to promote voluntary and flexible mechanisms to encourage public/private partnerships to improve environmental protection, promote pollution prevention, and help green supply chains. USAID will also support the development of market incentives and economic incentives for environmental management.

41) Promote clean production best practices and cooperation. (\$550,000) USAID will promote clean production schemes in productive processes, applying best practices to improve efficiency in the use of raw materials and inputs. USAID will promote incentives by creating a program to recognize private sector success and performance through national environmental innovation awards, in cooperation with other donors. These clean production and energy efficiency activities are part of a broader strategy through 2010. Additional FY07 funds are needed to continue working regionally to promote a more uniform approach to implementing cleaner production policies and practices and avoid duplicity of efforts at the national level. Funding will be directed towards regional cleaner production training in priority economic sectors. Funding will also help expand the regional Environmental Innovation Prize for Clean Production and improve its visibility.

42) Regional Clean Production Information Center. (\$250,000) Funding is needed to help get the Regional Cleaner Production Information Center fully staffed and operational. The Center will not only provide information but it will also help to strengthen national cleaner production centers and promote greater coordination across countries and donors. The Center will also help facilitate cooperation with between Central American, U.S. and other Latin American cleaner production centers.

43) Clean Production Exchanges. (\$150,000) Funding will also be

used to help send representatives from CAFTA-DR countries to this year's Bi-Annual Environmental Performance Track regional meeting in the U.S. which brings together officials from EPA's regional offices, as well as state and local governments to discuss environmental compliance and cleaner production issues. Such a visit by officials from El Salvador in 2005 was instrumental in helping the country launch its cleaner production program and initiate partnerships with the private sector. Funds would also be used to help facilitate follow-on visits to the region and cooperation from US cleaner production centers and State and municipal cleaner production and compliance assistance programs.

44) Mobilizing financing for cleaner production and clean energy development. (\$300,000) One of the biggest limitations businesses face is the lack of capital available in the region to make clean production improvements. The clean production Development Credit Authority establishes a non-traditional line of credit for private sector companies in the region interested in making clean production improvements. The Development Credit Authority reduces the risk banks face by providing partial loan guarantees. USAID is seeking funding for CCAD to continue to promote the DCA and other clean production and energy efficiency finance mechanisms throughout the region.

45) U.S. POLICY OBJECTIVES. The Governments in the region recognize that incentives and other flexible and voluntary mechanisms can contribute to the achievement and maintenance of environmental protection. The Cooperative Work Program stresses under Article 1.1.8 the need to strengthen the private sector's ability to comply with environmental legislation. U.S. policy interests are best served by a cooperative effort between the private sector and government.

46) NEW/PREVIOUS WORK. USAID has already established a regional clean production Development Credit Authority (scheduled to end in 2010) and funds a clean production expert at CCAD who works with the Clean Production Centers in each country (many of them funded by USAID bilateral programs) to encourage private sector businesses to make clean production improvements. The clean production Development Credit Authority provides a partial loan guarantee to banks to encourage loans in clean production. USAID El Salvador recently started a clean production activity with the World Environment Center, to promote private sector-led clean production in El Salvador. This activity will complement efforts by providing funding to disseminate best practices and develop public private partnerships so that government authorities, clean production centers, banks and the private sector work in harmony to promote voluntary compliance with existing environmental laws. Model voluntary agreements between the private sector and the government will be developed for use throughout the region. The Regional Clean Production Center network is being strengthened and the Regional Clean Production node in Nicaragua will provide information regarding new clean production technologies.

47) ESTIMATED COST. \$1,850,000 in DA or ESF for 2007. Amount includes 6% management costs.

48) LOCAL BUY-IN. Chapter 17 of CAFTA-DR (Article 17.4) establishes the need for flexible voluntary mechanisms to improve environmental performance and environmental cooperation to facilitate the development and transfer of appropriate technologies. Demand for clean production technologies is increasing throughout the region as increased energy costs make businesses less competitive in global markets. We expect to leverage at least \$1 million from the private sector through a public private partnership.

49) PUBLIC DIPLOMACY. This activity provides public visibility through the Environmental Innovation Prize for Clean Production. As Environment Ministries have enthusiastically embraced clean production as a way of addressing the twin goals of reduced pollution and increased competitiveness, USG public diplomacy efforts can highlight these "win-win" solutions.

III. Creating Incentives for Improved Management of Critical Biodiversity-rich Watersheds

50) PURPOSE: This activity will enhance market incentives for improved natural resource management in El Salvador, Costa Rica, Guatemala, Honduras, and Nicaragua and build the basis for sustainable financing in three watersheds of high biodiversity importance.

51) DESCRIPTION AND JUSTIFICATION: Central America has exceptional biodiversity that needs to be conserved for both its current economic value and potential future value. The future growth of the region depends on the health of its natural resource base. For example, sustainable flows of income from tourism and the availability of clean water supplies are both directly related to environmental health. However, there are insufficient financial resources to fully fund and implement protected area and watershed management plans. Governments rarely allocate adequate funds for the environment during the budget process and current policies rarely allow for significant generation and retention of fees for management at the local level. There are few incentives for local producers to manage their natural resource base themselves. Recognizing the potential of tourism and non-traditional agricultural and forestry products, this activity will help build market-based incentives for improved natural resource management.

52) Expected Results:

- Improve visitor infrastructure at 10 target sites.
- Reduce environmental infractions by the tourism sector.
- Reduce resource degradation by six communities within and near protected areas.
- Increased trade of sustainably produced environmental goods and services.
- Increase the level of sustainable financing available for resource management.
- Increase the level of sustainable financing made available for resource management through "payment for environmental services."

SPECIFIC ACTIVITIES:

53) Improvement of tourism infrastructure. Visitor infrastructure, such as trails, observation towers, and information centers, will be improved at priority sites identified by Tourism and Environment Ministries. Guides, and other service providers, such as hotel staff, and transportation providers, will be trained in best practices.

54) Increased options for sustainable income generation. Many rural residents have few income generation options, a pattern that encourages adoption of environmentally destructive agricultural practices. USAID will build on its experience in identifying and promoting alternative livelihoods for communities near protected areas. Community members will be provided specialized technical assistance and vocational training. Where possible, assistance will be provided in establishing market access for natural products from communities living near protected areas.

55) Helping governments remove barriers that keep funds from reaching protected areas. The activity will address policy constraints that prevent funds from getting to where they are needed

for improved management. It will also address capacity limitations that prevent local residents from identifying, producing and trading in environmental goods and services.

56) "Payment for Environmental Services" as a concept for improved management will be promoted with selected local and national governments, building on the existing experience at sites in Costa Rica, Honduras, Nicaragua and Guatemala. Payments for Environmental Services will be implemented at selected target sites. Environmental payment service systems will be reviewed by experts, and their findings will be discussed at public meetings. Findings of evaluations will be provided to NGOs, the general public, as well as national and local government.

57) U.S. POLICY OBJECTIVES: This activity directly addresses priorities established by the signatories of CAFTA-DR in the ECA work plan that highlights the need for sustainable financing for natural resource management. Specifically, it addresses ECA work plan activities that include:

58) Activity 3.2.1. Improve visitor infrastructure and services to increase tourism while better protecting the resources.

59) Activity 3.2.2. Promote alternative livelihoods based on sustainable resource use for communities within and near protected areas.

60) Activity 3.3.1. Promote activities directed towards strengthening the capacity of the Region to identify, produce and trade in environmental goods and services.

61) Activity 3.3.2. Promote and implement market schemes for environmental services.

62) Activity 3.3.3. Validate and promote at a regional level the use of evaluation methodologies for environmental payment services systems.

63) This project fits under Economic Growth Objective, Environment Program Area. It meets the requirements under the Natural Resources and Biodiversity Element of the Joint State/USAID Framework.

64) NEW/PREVIOUS WORK: USAID has experience working on tourism, payments for environmental services, and certification of environmental goods in the region. USAID has worked in close collaboration with the Central American governments through CCAD. Some examples include the development of a tri-national ecotourism route in the Gulf of Honduras and the development of public use plans for protected areas. In the agriculture sector, USAID support for sustainably produced gourmet coffee led to the sale of 6.6 million pounds of certified organic coffee and over 237,000 tons of certified environmentally friendly bananas. In addition, over 60,000 cubic meters of certified timber products were sold. In this activity, USAID will build upon this foundation and work on these issues through local organizations. Activities complement the World Bank efforts on payments for environmental services and the Interamerican Development Bank work on tourism.

65) ESTIMATED COST: USAID received \$600,000 in FY06 funds, which will be issued as grants to local organizations this year. USAID requests an additional \$1,600,000 for FY07.

66) LOCAL BUY-IN: During the March 07 meeting, countries endorsed continuing work in trans-boundary watersheds. In addition to work in the Gulf of Honduras and La Amistad/Cahuita, the countries requested additional support to work in the San Juan Watershed (between Guatemala and El Salvador) and Trifinio (Guatemala, El Salvador, and Honduras). USAID recommends DOI consider this request when drafting their proposal.

67) PUBLIC DIPLOMACY STRATEGY: The activities described here represent some of the most visible and valued USG investments in the region. By directly working with communities around protected areas, USAID can positively influence the livelihoods of thousands of individuals and demonstrate that free-trade agreements, environmental progress and income growth for the poor are not incompatible. In the past, the public diplomacy opportunities of such programs have proven to be enormous.

Comment:

68) REGIONAL PROGRAM EXPENDITURES: Through March 30, 2007 CCAD had accrued \$1 million in total expenditures. (\$550,000 in Regional

funds, \$100,000 in Nicaragua funds and \$100,000 in El Salvador funds and \$200,000 in Guatemala bilateral funds). During the first three months of this year, CCAD doubled expenditures each month. This trend is expected to continue over the next six months as implementation is ramped up in response to the approval of the

workplans in November 2006.

69) NASA received FY2006 funds on March 30, 2007 to begin implementing its work plan and EPA is in the process of negotiating a new agreement. EPA has indicated that it does intend to begin expending FY2006 funds until August/September 2007. EPA and NASA are soliciting funds for FY2007 under separate requests. The Regional Watershed mechanism is in the last phases of contract negotiation and should begin implementation in June 2007.

70) Post thanks those involved in the inter agency process for the opportunity to provide input into the environment and labor agreements. Regional buy-in to the process is of vital importance, and we believe the programs outlined will provide the maximum benefit and compliance with the CAFTA-DR agreement. We understand that the interagency group is working to obligate the funding for FY 2007 as equitably and as rapidly as possible. Post hopes that future project requests will provide as much time as possible to work with the CAFTA-DR governments, business and NGO communities to develop these project ideas. We also wish to ensure that projects have the ability to access follow-on funding in future years to make sure that commitments negotiated within CAFTA-DR are complied with. Overall compliance with the letter and the spirit of the FTA are our goals, and some projects will require a several year commitment to see them through to their conclusion. We hope to have the backing of the interagency group to make these programs a success. End Comment.

Glazer

[1b1]Where do we show the sub-elements?